



ASIC

Australian Securities & Investments Commission

REPORT 455

Consumer testing of the Choice product dashboard

December 2015

About this report

This report was commissioned by ASIC and produced by Latitude Insights.

It sets out the results of the consumer testing of the Choice product dashboard.

Consumer testing of the Choice Product Dashboard

Prepared for ASIC
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A: Executive Summary



Executive Summary

BACKGROUND, METHODOLOGY AND OBJECTIVES

Prior to the implementation of the Choice Product Dashboard ('Dashboard'), the Australian Securities and Investment Commission (ASIC) asked Latitude Insights to undertake consumer testing of the proposed Dashboard, to determine the optimum design. This testing followed a similar round of testing in 2013 of the MySuper Product Dashboard designs.

The research involved an online community of 120 Australian permanent residents or citizens aged 18 years and over, from metropolitan and regional locations, employed and earning more than \$450 before tax in a calendar month, and who either had superannuation accounts or were in the process of creating one.

The sample included a mixed representation of men and women, age groups, geographic areas, and superannuation balances. The findings were analysed by the individual's reported level of attention to financial matters. Despite attempts to incorporate a small representation of participants who were less familiar with using the internet, the final sample consisted of participants who were medium to high online users. Given the Dashboard is currently an online tool, it can be anticipated that those using it will generally have higher comfort online, however, findings should be interpreted within this context.

As in all concept testing research, the research process creates an indicative but inevitably artificial environment that is not necessarily reflective of the real world. During testing, participants were asked to give detailed responses to questions on elements, concepts and information that they may not necessarily consider in the same way (or consider at all) in a real world situation. Therefore, note that the claims participants made about the way they would respond in the real world may not match their actual behaviour.

The approach to presentation of research stimulus

Following introductory discussions of superannuation and the choice of current fund, two basic design alternatives were exposed to participants of the community. The process of exposure was as follows:



Executive Summary

MAIN FINDINGS

Contextual information

Attitudes and engagement in superannuation

Overall, there was a more positive sentiment towards superannuation than in prior consumer testing of the MySuper Dashboard in 2013.

Many participants indicated that they were confused by superannuation. Whilst often concerned their superannuation may be inadequate for retirement, they have failed to take action in the past because of its complexity.

Some participants considered superannuation to be a topic that could be simplified and better communicated and whilst research participants suggested that Dashboards are not for everyone, for those seeking a way to understand and compare funds, they provide a resource that was considered to be highly valuable. MoneySmart was also regarded as a credible, independent resource by those who have used it.

As in the MySuper Dashboard testing in 2013, some participants expressed negativity towards the concept of superannuation broadly. Some reported pursuing investments outside of superannuation or investigating the option of a Self-Managed Superannuation Fund (SMSF).

Executive Summary

Contextual information

Choice of superannuation fund and product

Over half the sample recruited had, in the past 2 years, either made an active choice of superannuation fund or product or had considered making a choice, having been prompted to consolidate their superannuation into one account when they were changing jobs.

Among those who claimed to pay less attention to financial matters, there was a greater need for information that was very personalised to their own situation.

While the sample contained those who had made an active choice with superannuation and/or were engaged with monitoring their fund/s, there were others who had never compared funds. In both groups, there was a strong tendency to '*set and forget*' once the choice was made. The latest Choice Dashboard findings suggest there may be potential to disrupt this behaviour with the provision of the Dashboard that contains a superannuation estimator.

Executive Summary

Consumer response to the Dashboard

It is important to consider that the way people react to and manage communication is strongly impacted by the degree to which they engage with it. Based on observations in this study, if the first impression is that the material is complex, some people may disengage, ignore the more complex elements and focus on simpler elements.

Overall, the response to the preliminary Dashboard design was positive: the layout was considered appealing at a glance and many participants felt the Dashboard contained key elements they would want to consider when viewing a superannuation fund/product. However, participants' perceptions, levels of engagement and understanding appeared to be sensitive to very small design alterations within the Dashboard (including order, terminology, consistency and format), and there was no single, universal approach that suited everyone.

Convenience, ease and accessibility to the information was also important, as participants indicated that they would be less likely to find the Dashboards if they required multiple click throughs on superannuation fund websites.

Within this study, the level of engagement also varied according to the individual's reported level of attention to financial matters. Whilst those who claimed to pay more attention to financial matters showed greater willingness to invest effort in comprehending financial information, others had a tendency to avoid it and gravitated towards more personally tailored information that they found more interesting and easier to understand.

The preliminary Dashboard design shown to the research participants was well received by those who claimed to pay more attention to financial matters; they believed it was easy to understand. For those who had rarely considered this type of criteria however, the complexity of financial data, terminology, use of charts, tables, percentages and hypothetical examples were "all too hard" and led to a tendency to disengage with the Dashboard.

Executive Summary

Response to specific elements of the Dashboard

Return & Return target

'Return' or 'Actual return' were considered to be acceptable terminology by most of the research participants who comprehended that the return referred to the growth of their funds, although some preferred the term 'Actual return'.

There was less agreement on the use of percentages to express return, with some participants struggling to understand its significance. The provision of an industry average (percentage return) added value for most research participants, by substantially improving the apparent level of comprehension and providing a greater sense of transparency and trust.

The term 'Return target' was confusing for some participants, as was the concept and value of the Return target. Those participants who claimed to pay more attention to financial matters believed that they understood the value of projections and monitoring actual performance against a target, as an indicator of future reliability of predictions. However, those claiming to pay less attention questioned why the historical target would be shown when the actual has occurred.

Text versus graphics for Return and Return target

A range of options to present the Return and Return target comparison elements of the Dashboard were shown to research participants, including showing the information via text and chart, table, text only and an alternative chart type with text. Most of the research participants, regardless of their claimed level of attention to financial matters, indicated that text and charts tended to be more easily digestible and engaging, and only a minority preferred to read the information in tabular form.

Executive Summary

Response to specific elements of the Dashboard

Returns history

Returns history was widely regarded to be best shown in graphical form to provide an easily discernible, long term view of annual returns against targeted and average returns. Tabular or text format were regarded by most participants as harder to view the trend and required too much effort to understand.

Participants were keen to view whatever historical data was available on a superannuation product. However, if less than 5 years worth of data was available on that superannuation product, there was a high degree of scepticism among participants. This was the case especially for a moving average because an average over a short period of time was perceived to be inadequate.

It was difficult for research participants to understand the concept of showing the return target in a different way, with the example given of a fund with Australian shares that could show their target of 3% higher than Australian shares overall (S&P/ASX 300), instead of the return above inflation, after fees and taxes. Participants indicated that when comparing funds or products, the return should be shown in a consistent way and over an equivalent period.

Executive Summary

Response to specific elements of the Dashboard

Superannuation estimator

The interest of participants who claimed to pay less attention to financial matters was piqued when they were provided with an example of a simple superannuation estimator (based on a simplified version of ASIC's MoneySmart Superannuation Calculator that provides a simple estimate of a user's superannuation balance at retirement based on dashboard data). This was the key element of the Dashboard for this user group and more likely to be their focus. There was a strongly held view by some participants that users should be reminded to consider the impact of inflation on lump sum estimates.

Fees and other costs

Fees were a key area of interest for some research participants and the term 'Statement of fees and other costs' was found to be appropriate.

While many participants found the fees and other costs easy to locate in the Dashboard design, some found it difficult to determine if the fees were fair and reasonable due to the example using a fund balance of \$50,000. Many participants welcomed the inclusion of a dollar value and an industry average for fees and other costs when subsequently included.

Executive Summary

Response to specific elements of the Dashboard

Risk

Although not an easy or well understood concept, many participants had a very basic, superficial understanding of the broad concept of risk and indicated that they expected to see something on risk within a Dashboard. Most participants considered the term 'Level of investment risk' easier to understand and was more acceptable than the term 'Investment volatility'.

The expression of risk as 'the number of years in 20 that a negative return is expected' was regarded by many as an easy point of comparison between funds or products - particularly those who claimed to pay more attention to financial matters.

Inflation probability

Whilst participants were able to understand the idea that superannuation needs to keep up with inflation, an attempt to gauge the degree to which it will occur tended to be too difficult to think through for most. There was also a tendency for misinterpretation of the information and disengagement with the Dashboard.

Executive Summary

Response to specific elements of the Dashboard

Investment mix pie chart

Some participants requested information on how the funds were invested and there was strong support for the inclusion of an investment mix pie chart. It appeared that investment mix information could trigger a review of investment choice.

Beyond the Dashboard

Many participants requested a way to easily compare superannuation funds or products side by side with the information ideally provided by a trustworthy and reliable third party. Otherwise, many research participants indicated that the Dashboard provided sufficient information to make comparisons, with few perceiving the need to explore information such as the Product Disclosure Statement (PDS) unless they had decided to choose a particular fund. However, some participants did feel the need to seek further information through a link on the Dashboard.

Executive Summary

Recommendations (1):

1. Overall, the Dashboard appears to cater to people with very different levels of knowledge and interest in superannuation. It is recommended for superannuation funds to have product dashboards for both MySuper and Choice investment options.
2. Participants who claimed to pay relatively more attention to financial matters engaged with the prominent Dashboard information. Participants who claimed to pay less attention to financial matters were highly engaged with the superannuation estimator tool when provided. Therefore, it is recommended that a trustworthy and reliable superannuation estimator is included on the Dashboard.
3. The superannuation estimator should incorporate all elements of the product/fund so that it can be used as a stand alone indicator. It is also recommended to provide figures adjusted for inflation and include a link to the MoneySmart website to avoid cluttering the Dashboard. However, there is a need for the Dashboard to reference the need to take inflation into account.
4. The Dashboard will be used differently by different people in terms of the types of comparisons they are making. Some will make use of the Dashboard to compare products across different funds only, whereas some will use the tool to compare products within funds. A consistent presentation of the information on the Dashboard both within and across different funds, will assist in people's understanding of the comparisons they are making.

Executive Summary

Recommendations (2):

5. Overall, maintain the clarity and simplicity of the Dashboard with the use of clearly defined elements and graphical presentation, minimal chunks of text, the inclusion of averages and demonstration of the long term view. Note that even small changes to the wording and design can make an impact on consumer engagement and understanding.
6. There was a high level of support for the use of 'Return' and 'Return target' terminology, and it is recommended that the elements be shown in the following ways:
 - › Actual return: a clearly defined text box showing average return and industry average for a 10 year period;
 - › Comparison between return target and actual return: a chart comparing 1 year actual return, the average return target for that year, and 10 year average actual return; and
 - › Return target: return target for a 10 year period in a text box.
7. Measures of probability underperforming inflation over 40 years created confusion and it is not recommended that the % chance that the target will be achieved, be included on the dashboard.
8. It is recommended that historical information is shown for the period available, even if it is as low as 2 years, and that the reason for the shorter time period is clearly and prominently highlighted and explained on the chart. However the moving average should not be shown if based on less than 5 years of data.
9. Different indicators of the Return target can be used to suit different investment approaches, but always use the same measure when comparing funds/products of the same asset class.

Executive Summary

Recommendations (3):

10. The Statement of fees and other costs should be shown in dollars and percentages in a clearly defined text box, or ideally as a fee calculator such as the one tested in the 2013 MySuper Dashboard research. An industry average for fees and other costs is needed.
11. Use of the terminology 'Level of investment risk', expression of risk as the number of years in 20 that a negative return is expected, and inclusion of an investment mix pie chart is recommended.
12. Minimise the number of click throughs to find the Dashboard on superannuation websites.
13. Provide further detail and explanation via links to the MoneySmart website and information for investors to determine their needs for retirement in various ways (e.g. weekly, monthly annual) and the impact of variations in contributions.

B: Background



Need for the Research

The 'Stronger Super' reforms introduced the concept of a Product Dashboard for superannuation products, providing a quick snapshot summary of a superannuation product that appears on a fund website. Dashboards were designed to encourage member engagement and help people compare superannuation products by providing key information about risks, returns, returns targets and fees.

Post 'Stronger Super' reforms, the default arrangements in superannuation are now MySuper products. Product Dashboard requirements have been in place for these products since 31 December 2013.

Consumer testing was undertaken by Latitude Insights in September 2013 on the proposed alternatives for the MySuper Dashboard design. Guidance was issued by ASIC, which included a mock-up example of the MySuper Product Dashboard. MySuper Dashboards are now live on fund websites.

The regime is scheduled to commence for Choice superannuation products in the future. As such, the Choice Product Dashboard was the subject of recent consultation where questions were raised as to whether the Choice Product Dashboard (or 'Dashboard') should include the same elements as the MySuper Dashboard, and whether any of those elements should be varied.

ASIC, in consultation with Treasury, determined a need to undertake testing of the proposed design for the Choice Product Dashboard in order to determine the optimum design to achieve communication objectives.



Research Objectives: to determine if variation is needed in the elements and design to achieve communication objectives

Specific research objectives were to:

- › Explore peoples' ability to make comparisons, and examine consumer understanding and usage since the introduction of MySuper Dashboards;
- › Evaluate the effectiveness, including consumer understanding and appeal of the initial Choice Dashboard design, highlight issues with the proposed design and its elements and recommend solutions to improve comprehension;
- › Determine the need for specific elements such as an 'industry average' comparison for fees and returns, a MoneySmart superannuation estimator, preference for chart type or use of tables and/or text, and use of percentage calculations with dollar amounts
- › Explore consumer attitudes towards Dashboards, comparison of relative value and degree to which consumers would use Dashboards to make a decision to move out of the default into a choice product;
- › Broadly examine the degree to which Dashboards aid transparency and comparability
- › Determine what other information and tools ASIC (through MoneySmart), Treasury and others (such as superannuation funds) could provide to assist consumers use the Dashboard effectively.



Research Methodology



Online community

The research method was a qualitative online community, comprising of 120 community participants drawn from metropolitan and regional locations across Australia. Fourteen moderator-generated discussions were posted from 26 June to 17 July 2014.

Recruitment

The majority of community participants were recruited through research-only online panels using a screening questionnaire. Traditional recruitment processes (i.e. specialist qualitative research recruiters) were also used to ensure representation of less regular users of computers and the internet. Given the Dashboard is an online tool, it can be anticipated that those using it will generally have higher comfort online. However, findings should be interpreted within this context.

Target audience

All participants were Australian permanent residents or citizens aged 18 years and over, employed and earning more than \$450 before tax in a calendar month, and who either had superannuation accounts or were in the process of creating one.

Members of a Defined Benefit Fund or Self-Managed Super Fund (SMSF), people who work in the finance sector, ASIC, Australian Tax Office (ATO), Treasury and Australian Prudential Regulation Authority (APRA) employees, those unable to use a computer or read English and those not at all interested in accessing information about superannuation were excluded from the research sample.

Quotas were used to ensure a variety of community participants split by gender, age, geographic area, with different superannuation balances and reported level of attention to financial matters (see member profile overleaf).

Online community member profile

Sample size n = 120



Gender

Male	43%
Female	57%



Location

QLD	10%
NSW	39%
VIC	30%
SA	4%
WA	12%
TAS	2%
ACT/NT	3%



Age

18 - 24	4%
25 - 34	28%
35 - 44	36%
45 - 54	17%
55 - 65	15%



Region

Metro	76%
Regional	24%



Internet usage

High usage	86%
Medium usage	14%
Low usage	0%



superannuation balance

Less than \$40,000	32%
\$40,000 - \$99,999	37%
\$100,000 +	29%
Don't know	3%

superannuation involvement

Have made an active/considered choice of superannuation	56%
Have not made/considered a choice of superannuation	44%



Attitude towards financial matters

Pay low attention to financial matters	33%
Pay medium attention to financial matters	50%
Pay high attention to financial matters	17%

Attitude towards superannuation



Don't know a great deal about financial products other than transaction accounts and credit cards	1%
Don't take much interest in my superannuation, not even sure how much I have invested/what sort of investment mix I have	6%
Know a bit about superannuation fund but don't think about superannuation much in between getting my annual statements	41%
Try to keep up with how my superannuation is going and check from time to time whether I have the right sort of investment options	40%
Superannuation is an important part of planning for my future, I regularly review it to get the best performance I can	13%

Caveats on the sample

Despite attempts to incorporate a small representation of people who were less familiar with using the internet, the final sample consisted of people who were medium to high online users. Given the Dashboard is an online tool, it can be anticipated that those using it will generally have slightly higher comfort online than the general population, however, findings should be interpreted within this context.

As in all concept testing research, the research process creates an indicative but inevitably artificial environment that is not necessarily reflective of the real world. During testing, people were asked to give detailed responses to questions on elements, concepts and information that they may not necessarily consider in the same way (or consider at all) in a real world situation.

Therefore readers of this report should note that the claims that research participants made about the way they would respond in the real world may not match their actual behaviour.

Interpretation of qualitative research findings

The research approach employed in this study was qualitative in nature. Qualitative research is designed to gain an in-depth understanding of the behaviour and attitudes of the target market or niche of interest and the drivers of that behaviour.

Because of its in-depth, exploratory nature, qualitative research employs an unstructured process of discussion and uses specific techniques to delve beyond superficial responses to gain meaningful insight and direction.

In this case, the use of an online methodology and the use of targeted recruitment screeners enabled a mix of community members with a range of attitudes towards superannuation and their finances.



The sample included a range of self-reported levels of financial awareness, attitudes and engagement

Sample size n = 120

As in the ‘real world’, the online community participating in this research comprised people with vastly different levels of self-rated awareness of, attitudes towards, and engagement with, financial information and superannuation. During recruitment, participants were asked to indicate their view of their dealings with financial matters and categorise themselves from the options provided, the results of which are shown below.

During analysis of the findings, comparisons were made between these groups and references have been made throughout the report where differences emerged.

Given the underlying qualitative design of this research, these categorisations are indicative observations only, not statistically representative or measurable differences.

I live from pay to pay and don't really plan for upcoming expenses	LOW	33%
I don't know a great deal about financial products other than transaction accounts and credit cards		
I find dealing with money matters very stressful		
I wouldn't really know where to find out about how to make the right financial decisions		
I think it's important to keep a bit of watch on my finances to make sure that they don't get out of control	MEDIUM	50%
I try to plan for the future so that I can be comfortable and secure		
When I am taking out a new financial product I try to find out as much as I can about the options		
I always try to keep informed about developments in financial products that might affect me personally	HIGH	17%
I am generally confident that I can make the right decisions about financial matters to make a real difference to my situation		
I believe that I am almost always in control of my financial situation		

A semi-structured discussion guide was used with modifications made as discussions progressed

Approach to discussions



The guide covered the following areas:

- › **General attitudes towards superannuation** - positives, negatives and concerns; level of consideration of future needs;
 - › **Actions taken within superannuation** - Choice or nomination of current superannuation fund and level of rollovers or consideration of options within a superannuation account; comparison of different funds and products, factors of influence and means of comparison;
 - › **Reactions to the Dashboard** - likes and dislikes; level of engagement and ease of understanding;
 - › **Feedback on key elements** - including industry average for Return and Fees, charting vs. tables vs. text; expression of fees in dollars, percentage or both; duration of time for historical return; appeal of superannuation estimator; alternative terminology for Return target;
 - › **Reactions to the revised Dashboard** – comparisons from the original version participants were shown at the start of the testing to adapted versions and elements they were shown later in the testing; and
 - › **Further issues to be optimised** - including usage of alternative scales for the Return target, and an alternative term for Risk and likelihood of viewing the Product Disclosure Statement (PDS).
-

C: Main Findings



Contextual information



*Peoples' attitudes about and
engagement in superannuation*



Participants claimed to be often overwhelmed and fearful of superannuation

Prior to exposure of the Dashboard concepts, research participants discussed top of mind issues regarding superannuation, the aspects they find confusing and informational areas they are seeking.

The reported level of confusion about superannuation appeared to be at a similar level to that expressed in the MySuper Dashboard testing in 2013.

Many participants indicated that they feel ill-informed to make a good decision in regards to their superannuation, and expressed the desire that superannuation should be simplified and better communicated.

“Superannuation companies enjoy the mystery, it gives them an edge. Imagine if the government legislated that they had to present things in plain English!!” (Male, 45-54, Medium)

“I find super so hard to understand - it completely baffles me, to the point I really don't even bother about it... The most I do is look at my biannual statements....Would not have a clue how much I need for my retirement... Super is just one thing I don't think about as I think it is so confusing and hard...” (Female, 35-44, Low)

“I don't feel like I have enough knowledge nor is there enough general information out there for me to feel confident in making an informed decision.” (Female, 25-34, Medium)



Concerns that superannuation will be inadequate were widespread

Many research participants believed and/or worried that they may not have enough money to live on in their retirement.

This issue appeared to be expressed more strongly than in the MySuper Dashboard testing in 2013, with participants indicating that their attention had been drawn to the issue in recent advertising as well as through their use of retirement calculators (including MoneySmart), financial advice received and discussions with family and friends.

“It wasn't until the recent barrage of superannuation-related advertisements that I decided to start doing some calculations, and I considered making my own contributions.” (Female, 35-44, High)

“When I look at my current superannuation and where I need to be for a comfortable retirement – got to admit I get a bit anxious.” (Female, 35-44, Medium)

“As someone who knows very little about super I find it quite daunting the amount of choices and have not paid much attention. But also have worked hard and can see there probably won't be an aged pension in the future so having enough does worry me.” (Male 25-34, Low)

“The Moneysmart app. It is handy ... Should be a standard feature in any report or fund website.” (Male, 25-34, High)



Some women in the research commented that they felt disadvantaged by time out of the workforce

Some female research participants expressed concerns about the adequacy of superannuation for them. They commented that they felt they have been or will be disadvantaged by taking time out of the workforce to have children, thus increasing their fears that their superannuation will not be sufficient in retirement.

However, overall, female participants expressed very positive attitudes towards superannuation, tending to be more happy to trust their superannuation and make a long term commitment.

“The superannuation concept does not serve well for women who give up work to raise their families as while they are not working they don’t accumulate superannuation and they’re disadvantaged in retirement, especially if they go through divorce.” (Female, 35-44, Medium)

“I don’t expect to be able to retire on superannuation as my employment has not been fulltime a lot of the time. It has mostly been casual and then I had children so my superannuation is lousy and I won’t be relying on it for retirement.” (Female, 45-54, Low)

“I have always had superannuation whilst I have worked but have also spent significant periods of time out of the workforce raising children so I have some catching up to do.” (Female, 35-44, High)

“Women don’t get as much superannuation due to being off work for home duties, so we miss on a fair bit.” (Female, 25-44, Medium)

“I think superannuation is a worthy, important and smart initiative to ensure that you have enough money to live on when you are beyond a working age.” (Female, 35-44, High)



Those with confidence and knowledge feel empowered

Meanwhile there was also a small cohort of research participants of both genders who commented that they felt secure and comfortable in the knowledge that they would be well provided for in their retirement through their superannuation.

This sense of security and confidence appeared to be driven by greater levels of self-reported knowledge and active planning of their superannuation. The quote below is typical of this small cohort of research participants.

“I’m excited about superannuation, I feel I’m in a good fund with good returns. ... at age 30, I am well in front of the average. I check my account monthly and make sure it is all going well. I am going off the amount of \$1 million in retirement, that is a well known number. I have done calculators that show I am on track.”
(Male, 25-34, High)



However, for most research participants, there were many reasons not to take action with superannuation

Despite the concern of potentially not having enough superannuation in retirement, it was evident that many of the participants were reluctant to actively engage with their situation. That is, they expressed a reluctance to look further to determine how much they will need or what was required to fix the problem, with the overall perception being that it was too daunting.

Participants identified barriers to taking further action about superannuation, including:

- › Retirement is too far away to think about now;
- › Other priorities are more urgent, especially the mortgage and day to day needs;
- › Superannuation is confusing and hard to understand; and
- › The fear that more will be required for retirement than possible to achieve (and having to face that reality).

“It depends on how long I would last!” (Female, 45-54, Medium)

“How much it will help always concerns me as there is no way to work it out. I don’t know how much superannuation I will need to retire.” (Male, 35-44, Low)

“It completely baffles me, to the point I really don’t even bother about it...” (Female, 35-44, Low)



There was still negativity towards superannuation generally, although appeared to be some improvement

As in the MySuper Dashboard testing in 2013, some participants expressed negativity towards the concept of superannuation broadly. The notion of compulsory superannuation was questioned for the following reasons:

- › The funds are unable to be accessed or moved easily to better investments;
- › Concerns about volatility and negative returns, with recent first or second hand experiences mentioned;
- › Frequency of government changes to superannuation rules and regulations. The recent increase of the pension age to 70 has escalated the feeling of uncertainty and mistrust of governments' handling of superannuation;
- › Employers not meeting their legal requirements, especially for casual employees; and
- › General uncertainty about the future (e.g. ability to work in their 70's, will they have a complete change in career and therefore change expectations, will they remain healthy or die young and not need so much?)

“My parent’s superannuation took a massive hit in the GFC a few years back. Quite disheartening to see an investment which had grown considerably be so severely diminished in one fell swoop (Male, 25-34, Medium)

“The issue that concerns me greatly is the changes that occur from year to year – depending on the whim of the government of the time.” (Male, 55-65, Medium)

“Pensions being phased out and retirement ages increased - who knows what it will look like in 2 (Male, 45-54, Medium)



Doubt has lead some to establish SMSF's or invest elsewhere

Concerns had led some research participants to pursue investments outside of superannuation, particularly in cash and property. This was driven by a belief that they could achieve better returns themselves and/or have more security and control.

There was also a subset of participants who expressed some interest in the establishment of an SMSF.

"I want to look into setting up a SMSF just because I want to know where and what is going on. I'd rather not be passive and just take control at this age rather than later." (Female, 25-34, Low)

"My husband and I are investing in other areas so we can access it when we we less red tape/fees involved." (Female, 35-44, High)

"I want to start investing in more tangible assets for our future that can generate an income ... I don't entirely trust the superannuation system for my retirement." (Female, 35-44, Medium)

"I feel like I can get better returns just putting the money in term deposits with my bank, which is what I do with my savings." (Female, 25-34, Medium)



Despite these concerns, the need for superannuation is recognised

Regardless of these concerns and negativity, overall there was a more positive sentiment towards superannuation than in the previous research on the 2013 MySuper Dashboard.

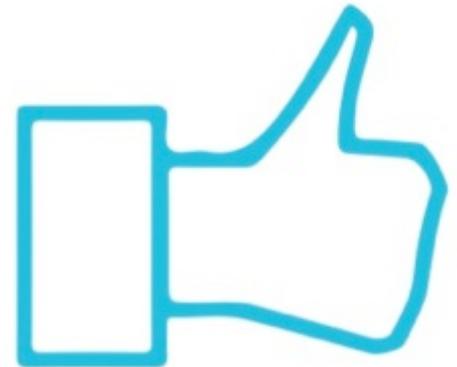
This research was conducted at a time soon after the 2014/15 Federal Budget, when there was much media coverage surrounding the shortfalls in funding and the ageing population. This may have contributed to the more positive sentiment towards superannuation, as some participants actively indicated the system of 'forced savings for retirement' as necessary and of personal benefit.

"I am concerned as are a number of 'after baby boomer' people, that the money will when I do retire as the coffers will be bare." (Female, 45-54, High)

"I think super is a great idea." (Male, 35-44, Low)

"Superannuation is imperative when we retire as I don't think that the Government will be in a position to support our ageing population." (Female, 35-44, Medium)

*"Superannuation is a worthy, important and smart initiative to ensure that you have enough money to live on when you are beyond a working age."
(Female, 35-44, High)*



There is general awareness that inflation needs to be taken into account

Most participants demonstrated that they understand the basic concept of inflation or at least were aware that an amount today will buy far less in the future, due to rising costs of living.

Participants often raised it as a key issue that makes it difficult to predict their future needs.

“It is very hard to calculate the amount of money I need to retire [on] as we don’t know how much the price of living will increase by the time I retire.” (Female, 55-65, Medium)

“In the next 40 years a cup of coffee will most likely be \$30 & [the] price of petrol will be \$10 a litre.” (Male, 25-34, High)



*Choice of superannuation fund
and product*



Many participants had made an active choice of superannuation

Over half the sample recruited had, in the past 2 years, either made an active choice of superannuation fund or product or had considered making a choice, having been prompted to consolidate their superannuation into one account when they were changing jobs.

Some also reported having actively changed their investment options within superannuation in response to shifts in age, lifestage or to take advantage of, or fearing, market fluctuations, and expected to continue to do so in the future.

"I recently rolled my other two accounts from previous employers into this account. I have combined superannuation accounts in the past as well for ease of management." (Female, 25-34, Medium)

"About ten years ago I brought all of my superannuation funds together under one roof and saved on fees which also made things easier to monitor." (Male, 55-65, Medium)

"After a few years on the default investment option I changed to the aggressive option as it best suited my life stage." (Male, 25-34, Low)



Online reporting appears to have prompted consideration of options

Some participants identified that online tools which allow individuals to view their current superannuation arrangement and the ability to change investment options, provided an increased sense of superannuation knowledge and an increased awareness of different options available.

This experience was in sharp contrast to those who indicated that they simply 'bin' statements because the format is too hard to understand, or that have searched for information on their fund's website and have felt overwhelmed.

These reported experiences suggest that it will be important that Dashboards are easily accessible, requiring minimal clicks to ensure that some investors are not deterred by the complexity or difficulty in finding information.

"In the last 3 years with online technology so advanced, there are graphs etc showing the performance of each option on a daily basis. Hence it also allows me to switch options online whenever I want, as compared to in the past had to fill in paperwork to submit manually." (Female, 45-54, Medium)

"I expect to be able to see full balance and transaction information as soon as pos. services updated within 2 days)." (Male, 25-34, High)

"In my current fund's website, there is no Dashboard and the first page upon logging in only tells me how much I have in my fund and for any other information, you would have to click on different links and even so, I would be hard pressed to find out if my investment portfolio is high or low, returns, targets, etc." (Male, 35-44, Low)



Once chosen, 'set and forget' is the dominant behaviour

While the sample contained those who had made an active choice with superannuation and/or were engaged with monitoring their funds, there were others who had never compared funds. Even those who engaged in a decision tended to 'set and forget' once the decision was made.

Based on the positive reaction to the concept of a superannuation estimator tool in the research, there is potential that the estimator may improve engagement with superannuation generally. Use of the superannuation estimator on one specific product dashboard might prompt some to make use of an estimator on another Dashboard.

"I just get the mandated minimum contribution, select my investment option and hope for the best. Like I mentioned, it's just something not at the forefront of my thoughts at the moment." (Male, 25-34, Medium)

"I haven't had much to do with superannuation, I know that my employer makes the required contributions to my account each month but that is about it." (Female, 25-34, Medium)

"I probably don't understand enough to make an educated decision based on that image, but then I am one of those people that basically set it and forget it." (Male, 45-54, Low)

"Most people just stick with what ever fund they have and hope for the best with superannuation." (Male, 24-34, Medium)



Making a choice can magnify confusion levels

Participants who had made a choice about their superannuation in the past 2 years reported feeling some sense of fulfilment at having actively made a decision in regards to their superannuation. However, at the same time, many found that working through the decision making process left them feeling even more confused about superannuation, with some reportedly finding superannuation information hard to understand generally. This was even the case for those who had engaged a financial adviser.

The perceived level of complexity that many participants reported was seen to discourage the consideration of options or tendency to pay more attention to the process of choice. Whether they were setting up a superfund for the first time, or organising a rollover into a new employer's fund to save fees and have more control, participants reported that comparisons were rarely made at this point, with most simply taking the default option.

"We had financial planner come around and she couldn't explain it any clearer. If anything, it was made even more confusing!" (Female, 35-44, High)

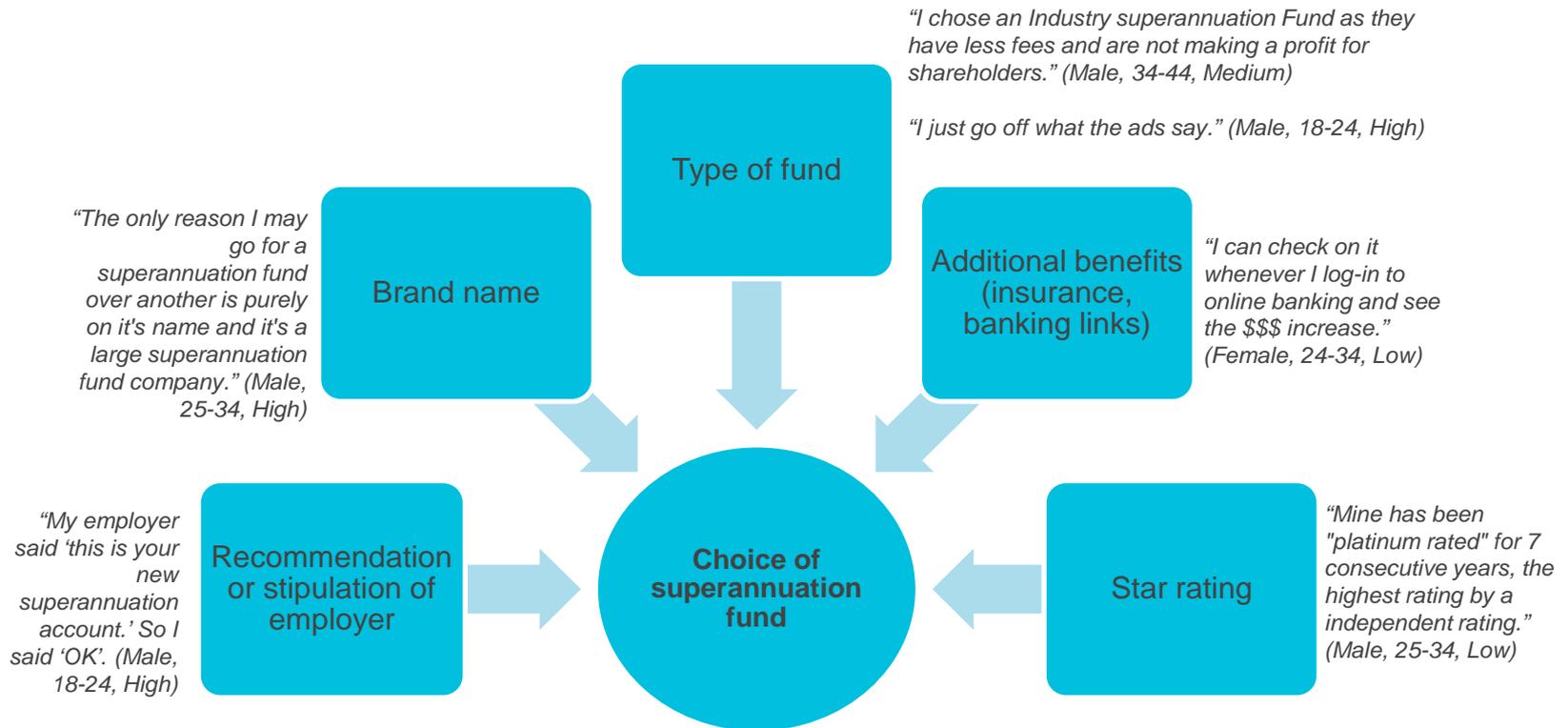
*"The more I read, the more I [am] confuse[d] with all the words they use!!! I sometimes give up and bin them all! As long as I see my money slowly increasing, I am happy."
(Female, 45-54, Medium)*

"There were so many different options and considerations to take into account the idea of changing funds just all seemed too hard and confusing, so I just left my superannuation where it was." (Female, 45-54, Medium)



Choice is often about factors other than the numbers

When making a 'choice' of superannuation fund, it appeared that many participants' decisions were based on factors **other than** the types of elements included in the Dashboard. The key influences appeared to have been:



If anything, fees were the primary element targeted by some of the research participants

Some research participants identified that the level of fees was a key area of focus, particularly those who claimed to pay relatively more attention to financial matters.

Key concerns were that the fees and costs were excessive particularly in relation to the size of the fund balance. This was seen to have the ability to cause savings to be eroded.

Difficulty in finding and understanding fees in superannuation documentation was also mentioned by some participants.

“At my age I still feel superannuation is far too confusing, I got no idea on what fees I pay and why.”
(Male, 25-34, High)

“The things that we look at are mainly fees.”
(Female, 35-44, High)



A focus on ‘Is it enough, will it grow and should I contribute more?’

Among those who claimed to pay less attention to financial matters, there were some consistencies in the information they claimed to want. There was a greater need for information that was very personalised to their own situation. Information they were particularly interested in included:

- › The lump sum of money they will have on retirement;
- › How their current balance and personal contributions will grow;
- › Reassurance that the fund will perform well over the long term and maximise their end result;
- › The fees and costs they will pay to achieve this, or at least know they are reasonable and are not a ‘rip off’; and
- › Whether they are contributing enough.

“I guess my main concerns would be is the money going into my account handled properly and am I really getting the best out of the contributions from the company I’m with.” (Female, 35-44, Low)



*Consumer response to the
Dashboard*



The approach to presentation of research stimulus

Following introductory discussions of superannuation and the choice of current fund, two basic design alternatives were exposed to participants of the community. The process of exposure was as follows:



*Overall response to the preliminary
Dashboard design*



Overall response to preliminary design was very positive



The layout of the preliminary Dashboard design shown opposite was perceived to be easy to comprehend by most participants and organised into clearly labeled boxes on key elements. This was found to enable a quick assessment of the superannuation product on offer.

The chart was broadly embraced as a simple and visual way to receive a snapshot of performance over time.

Participants considered this preliminary Dashboard design to contain the key elements they would consider when viewing a superannuation fund/product.

“This format is very clear and to the point. I particularly like the ‘ return’, ‘Level of risk’ and ‘ Statement of fees boxes; I feel I would use those 3 points alone to do a quick comparison. It is also well written in very easy terms that anyone can understand.” (Male, 18-24, High)

“Seeing it in a succinct, summarised manner, with graphs and simple language makes me want to read it.” (Female, 35-44, High)

Differences in reported financial awareness appeared to underpin variation in Dashboard preferences

The way people react to and manage a document, piece of communication or element within that communication is strongly impacted by the degree to which they engage with it. If their first impression is that it is complex, they have a tendency to disengage. Where a number of elements are provided, they tend to ignore the more complex components and focus on the parts perceived to be simpler or more digestible. Their perceptions, levels of engagement and understanding are sensitive to very small design alterations (including order, terminology, consistency and format).

In this study, it was clear that the degree to which this occurs tended to vary according to the individual's reported level of attention to financial matters, whereby those who claimed to pay more attention to financial matters and were more willing to invest effort in comprehending more complex information were more likely to look for more detailed information on Return, Return target and risk. These participants also appeared to be more comfortable working with percentages and averages and took in the full content of the Dashboard.

In contrast, those claiming to pay less attention to financial matters were more likely to switch off to this level of detail, and gloss over or avoid that which they did not comprehend.

But the first design lost the interest of the less engaged user

Those who claimed to pay less attention to financial matters reported to be influenced by other elements besides the Dashboard in their choice of fund (e.g. star rating, brand name, type of industry fund), and therefore they did not tend to engage with the Dashboard design when it was first shown. This was because these participants tended not to make their choices on this criteria, and this was the type of information that they claimed they would normally ignore due to its complexity.

The combination of a chart plus unfamiliar terms, and the use of percentages (rather than numbers in the context of their own superannuation) tended to confuse these participants and many failed to stay engaged.

Some were also suspicious of the use of percentages and averages, which they felt were designed to mislead people. Essentially, the information was not expressed in the language or format to which they could relate.

“I probably don't understand enough to make an educated decision, but then I am one of those people that basically set it and forget it.” (Male, 45-54, Low)

*“I don't like it that much because it seems to be concentrating on averages, which I presume is to make it look better. I just want to know how much more money I have in real dollars rather than percentages and historic averages.”
(Female, 45-54, Low)*



Need to see information tailored to individual's circumstances

Participants who reported paying lower attention to financial matters appeared to find information easier to understand when they could see how a particular product or superannuation fund might apply to their own personal situation.

These participants expressed a strong preference for tools that allowed them to input their own information on their fund balance and salary rather than be presented with a hypothetical amount.

Personalisation engaged their interest more, as well as helped them feel they understood the information better.

There was a sense of tangibility and trust in the information and it appeared to greatly assist those who claimed to have difficulty understanding percentages.

“Actual estimates for yourself based on current information gives you a more realistic idea of what your balance might look like at retirement. This allows a good comparison as well as giving you the information to see if you need to start topping up your superannuation to reach your goals.” (Male, 45-54, Low)

Super estimator by moneysmart.gov.au

Age	35
Annual pay (before tax)	\$75,000
Super balance	\$56,000
Estimate at age 65	\$464,135

Go to ASIC's Superannuation Calculator at moneysmart.gov.au for a more detailed estimate.

Use this estimator to compare the XYZ Growth Option with other investment options and other funds.

By seeing an estimate of your super balance at age 65 you can see the effect of fees over time for each option you are considering.

This estimate is based on the fees charged and target returns for the XYZ Growth Option based on a balance of \$50,000 as shown on this dashboard.

Superannuation estimator simplifies and makes it more relatable

There was a marked difference in interest and comprehension of those who claimed to pay relatively less attention to financial matters when the MoneySmart superannuation estimator was added to the mockup design.

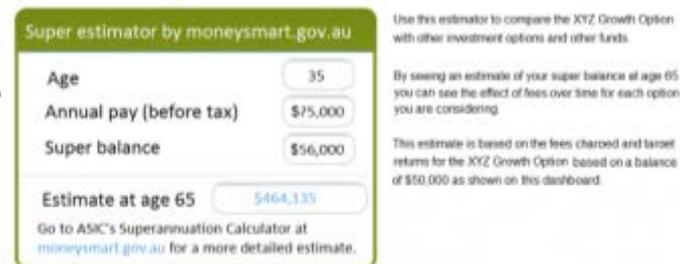
This was due to the familiarity of the tool, with many claiming knowledge of estimators for home loans and similar, and having also seen them in superannuation fund advertising.

However, it should be noted that some participants mentioned having found large inconsistencies in estimators used across superfund websites, and as such, would welcome a reliable source for this sort of information.

“If I was comparing superannuation funds, the final value of the Estimator would be the main thing I would compare. All other things equal, the fund with the highest estimated superannuation at retirement wins.” (Male, 25-34, Medium)

“There are many websites with calculators and published articles that proscribe wildly differing lump sum amounts that will be required for a “comfortable” retirement. It is very hard to plan under these conditions.” (Female, 45-54, Medium)

“This to me is hugely useful and takes away a lot of the mystery of superannuation.” (Female, 25-34, Medium)



Super estimator by moneysmart.gov.au

Age	35
Annual pay (before tax)	\$75,000
Super balance	\$56,000
Estimate at age 65	\$464,135

Go to ASIC's Superannuation Calculator at moneysmart.gov.au for a more detailed estimate.

Use this estimator to compare the XYZ Growth Option with other investment options and other funds.
By seeing an estimate of your super balance at age 65 you can see the effect of fees over time for each option you are considering.
This estimate is based on the fees charged and target returns for the XYZ Growth Option based on a balance of \$50,000 as shown on this dashboard.

Recommendation: Include the superannuation estimator-on the Dashboard to enable personalisation of information and pique engagement in the Dashboard and superannuation decision making.

Comparisons appear to be likely to be made across and within funds by some investors

Based on participant comments about choosing a superannuation fund, many participants indicated they would initially consider the Dashboard as a means to compare similar products across funds much like they would with a mortgage calculator with banks or a health insurance comparison tool.

That said, some appeared to identify the Dashboard as a tool they would use to compare products within funds, especially when looking at the area of risk. The simple format made it easier for participants to make direct comparisons as the key information was easily identifiable and consistent.

Again, use of a tool such as a superannuation estimator appeared to encourage this further, especially among those who claimed to pay less attention to financial matters.

“Very simple and easy to grasp. If I was comparing different risk choices then a separate Dashboard sheet might be required for High Risk, Moderate Risk and low Risk.” (Male, 45-54, Medium)

“It seems pretty straightforward with how the information is presented and if it includes options to compare with a lower risk investment for example that would be a really good way of determining which product is right for you.” (Female, 25-34, Medium)

*Response to specific
elements of the Dashboard*



Return & Return target



Return in percentages is easier to grasp when given a tangible point of comparison

‘Return’ or ‘Actual return’ were considered to be acceptable terminology by most of the research participants who comprehended that the return referred to the growth of their funds, although some preferred the term ‘Actual return’.

There was less agreement on the use of percentages to express return and it was clear that some struggled to understand the significance of a percentage return. These participants asked to see whole figures, and more specifically, many wanted to see personalised information, as they were seeking the tangibility of their own superannuation balance.

However, the addition of an industry average (percentage) did give these research participants a point of comparison and therefore enhanced their willingness to assess the fund’s or product’s performance. Participants expressed that this information also provided a greater sense of transparency and enhanced the level trust.

*“I would love to have the historical returns in dollar amounts to see how my superannuation has grown over the years.”
(Female, 34-44, Medium)*

*“Yes it is all confusing to me, just show me the bottom line.”
(Male, 34-44, High)*

“The terms should be changed to Actual Return.” (Female, 35-44, Medium)

Recommendation: Add an industry average of the 10 year average return for comparison by percentages.



Return target was key to many, but others mistrusted and overlooked it

The term 'Return target' was confusing for some participants, as was the concept and value of the Return target. Those participants who claimed to pay relatively more attention to financial matters believed that they understood the value of projections and monitoring actual performance against a target, as an indicator of future reliability of predictions. However, those claiming to pay less attention questioned why the historical target would be shown when the actual has occurred.

Many participants expressed distrust in the use of projections and targets. Many stated that they believed projections were artificially inflated and therefore they tended to disregard the information in the Dashboard. Some appeared to overlook or reject this information due to lack of understanding and comprehension, and it was only those who believed they understood and sought this information who in fact used it.

"Return targets do not "cut the mustard" with me... generally "over the top" and sales-pitched." (Male 55-65, Low)

"The Comparison of return and return targets helps to be able to form a judgement as to how well the fund managers have performed in judging the market. This can be the first point to consider in trying to gauge the suitability of a super fund investment..." (Female, 55-65, High)

*"The long term predictions are an estimate, not reality. What has happened in the past is no guarantee of what will happen in the future."
(Male, 35-44, High)*

Return target

Return target for 2015-2024 of **6.0%** per year above inflation, after fees and taxes. Future returns cannot be guaranteed. This is a prediction.

A change in terminology is not recommended for Return target

Those participants who were more likely to seek/want the information on Return targets (e.g. those who pay greater attention to financial matters) were more comfortable with the current expression and presentation of the 'Return target' in the original Dashboard design.

Although the alternative of 'Investment Objective' was considered to be written in plain English - and therefore preferred by some as easier to comprehend - it tended to carry less credibility with those who said they would engage with the information. It was described as 'vague' and 'wishy washy'.

Expression of the Return target as 'above inflation, after fees and taxes' was well understood at an overall level by most participants. The text 'Future returns cannot be guaranteed. This is a prediction' was also regarded as being written in plain English and was easy to understand. It was expected that this text would be included in this section of the Dashboard.

"'Target' to me is more like a goal you want to reach, where as 'objective' is more like saying 'potential'". (Female, 35-44, High)

Recommendation: Continue with use of the 'Return target' term and provide other information, such as the superannuation estimator, to engage and inform the less financially aware.

Original

Return target

Return target for 2015-2024 of **6.0%** per year above inflation, after fees and taxes. Future returns cannot be guaranteed. This is a prediction.

Option

Investment Objective

Investment objective for 2015-2024 of **6.0%** per year above inflation, after fees and taxes. Future returns cannot be guaranteed. This is a prediction.

Chance of Return target being achieved

The appeal of including data on the likelihood or chance that the Return target would be achieved, for example ‘*Future returns cannot be guaranteed. This is a prediction. There is a 50% chance of the return target being achieved*’, was tested among participants.

Although not all participants understood this concept and some questioned why a prediction would be so apparently low, the wording clearly alerted participants’ attention to the level of uncertainty about predictions. Some participants felt that the information was too specific, thereby doubting the reliability of a ‘prediction of a prediction’. On the whole participants’ understanding of the term appeared to be limited.

“As one that doesn't possess any sort of professional knowledge about finance, this statement shows some sort of uncertainty about the investment of this fund. I don't know what 50% means to a professional investor, but to me it sounds really unsure and unstable.” (Male, 25-34, High)

“It would be useful as you can go for riskier options if you want to which means you might be able to get a bigger return. Or if you don't like risk you would go for something with a 80-90% chance.” (Female, 25-34, Medium)

“I would say the Return target is too high and unrealistic - it would make me question the fund.” (Male, 25-34, Medium)

“It's a prediction of a prediction, which kind of makes it doubly estimated. I would look at this text and just skip over it.” (Female, 34-44, Medium)

Recommendation: Do not include a measure of probability that the Return target will be achieved.



Return target

Return target for 2018-2024 of **6.0%** per year above inflation, after fees and taxes.

Future returns cannot be guaranteed. This is a prediction.

*Text versus graphics for Return
and Return target*



Visual presentation is best

A range of options to present the Return and Return target comparison elements of the Dashboard were shown to research participants, in addition to the original chart and text in the preliminary design including:

- › Table
- › Text only
- › An alternative chart type and text

There were different preferences among participants in terms of the presentation of the Return and Return target comparisons, and as indicated throughout this report, their level of attention to financial matters. However, most of the research participants, regardless of their level of attention to financial matters, indicated that text and charts tended to be more easily digestible and engaging. Only a minority indicated that they preferred to read the information in tabular form in the Dashboard.

“Graphs are a quick and easy way to compare things. ... Text only and tables don’t give the visual representation that our minds can quickly process.” (Male, 25-34, Medium)

“I prefer to see the information in a graph form, just seems easier to comprehend. Having a whole group of figures side by side seems all a bit hard, so graph for me.” (Male, 45-54, Low)

Recommendation: Show Return and Return target information in the chart format with contextual text.

Original text & chart



Table

The table format presents the data in a grid. The columns are labeled 'Year' and 'Return' (with a sub-column for 'Return target'). The rows list the years from 2008 to 2015. The data values are small and hard to discern.

Text only

The text-only format uses large, bold text to highlight key figures. It states: 'Return: 10 year average return of 0.80% over 10 years. 2015 target return was 0.1% below the return.' and 'Return target: 10 year average return of 0.9% per year over 10 years, after fees and taxes. 2015 return target is 0.1% above the return.' Below this is a small paragraph of fine print.

Text & alternative chart



Text alone fails to engage

In this study, text alone had less impact and engagement and tended to be overlooked by those that pay less attention to financial matters. For those that claimed to be more informed, that is those who claimed to pay more attention to financial matters, the example used lacked sufficient detail.

“Text only and tables don’t give the visual representation that our minds can quickly process.” (Male, 25-34, Medium)

“Option 2 with text just makes me glaze over it.” (Male, 18-24, High)

Recommendation: Avoid use of long chunks of text.



The table of historic return figures that supported the chart complicated the Dashboard

There was also a tendency for participants to miss the additional information presented in the table on historic returns at the base of the original Dashboard design, because it was presented separately.

For those who wanted to take each of these elements into account, it was considered to be best presented in the one chart. Not all understood this extra detail, but those who were seeking it wanted to see all this information and were more able to comprehend a chart with multiple variables shown.

Recommendation: Show the return figures in the chart (e.g. showing the values above or within each bar).



Bar chart of yearly returns preferred

A few participants found the option of the bar chart, comparing the 10 year average actual return with the 10 year average Return target, visually easier to look at. This was because it showed only two simple bar charts. However, it did not provide the same level of detail as was shown in the other presentations of the information.

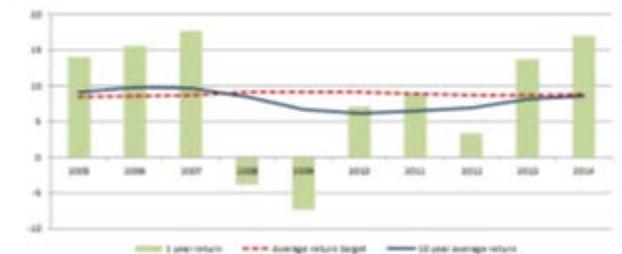
Most research participants preferred to see the trend over time and the extra detail provided in the original chart ensured that those who wanted to read this information were given the fully informed view.

“Spelling it out year by year, with the actual and target figures shown makes it easier to read, understand and compare.”
(Female, 25-34, Medium)

“Completely unnecessary graph as there are only two figures to compare.” (Male, 25-34, Medium)

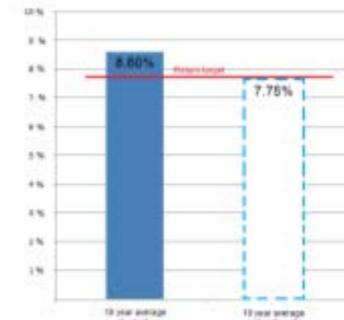
Recommendation: Use the original design chart showing the 1 year return, average return target and 10 year average return with the values shown.

Comparison between return target and return



Comparison between return target and return

The H2 Growth option has achieved its 10 year average return target, achieving 8.80%.



Returns history



The chart helps many to digest the overall trend

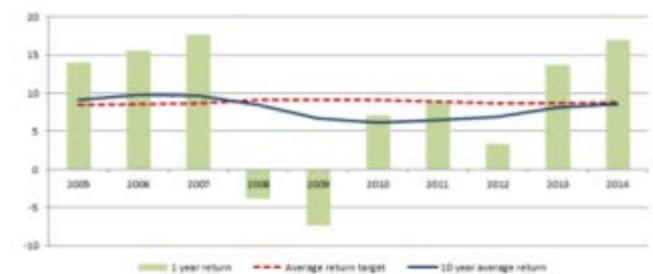
Although the comparison chart of Return target and Return proved daunting to a number of research participants, it was generally considered to be the best way to show this information over a 10 year period of time.

At the least, if participants did not comprehend the meaning of the terms or figures, they could see the general trend and identify that there have been some substantial high and low periods.

Only a minority of more numerically driven participants preferred to see the actual value and gravitated to the table of figures at the base of the Dashboard. For most, however, this table added confusion since it was seen to repeat the information in the comparison chart.

Recommendation: Include the comparison chart. Include the value labels for the figures in the chart to provide a more concise view for the user. Remove the table of figures.

Comparison between return target and return



Historic returns

Year ending 30 June	Return (after fees & taxes)
2014	16.90
2013	13.72
2012	9.52
2011	6.87
2010	7.13
2009	-7.26
2008	-8.82
2007	17.65
2006	15.53
2005	14.02

This table shows 1-year returns net of fees and taxes for the past 10 years. Investment performance changes from year to year. Your super will grow over the long term, but in the meantime you might experience some years of low or negative returns.

Show any historical information available but clarify gaps

With the possibility that some funds will only hold data for a short period of time, an example was shown with only 2 years of data to all participants. When presented with this example, most participants rejected it as insufficient and requested that more information be shown.

It was widely believed by participants that any information that is available on return target and return should be shown. However, participants indicated that perceptions of the fund/product would be negatively affected by drawing attention to its short history, unless it was clearly stated that the fund/product had only been in existence for that time and all information available had been provided. If this information was to be shown, it was important that the chart included a clearly and prominent label to indicate the reason for the lack of information on the fund/product.

Notably participants (those who understood the intent of the information) were sceptical of a moving average that was based on only 2 years data. Generally it was perceived by these participants that a 5 year period would be needed for the moving average figure to be considered reliable.

Recommendation: Show historical information for the period available, even if it is as low as 2 years, and clearly highlight the reason. However the moving average should not be shown if based on less than 5 years of data.



Alternative scale for different asset classes gets confusing

An alternative presentation to the Return target was examined. Participants were asked to consider the example of a fund with Australian shares that would show that their target is to be 3% higher than Australian shares overall (S&P/ASX 300) and over a 7 year period (not 10).

Many participants struggled to understand this concept and indicated the importance of having equivalent scales when comparing funds.

Once the concept was explained to participants, most believed that as long as similar funds were compared with the same measure of return, it was possible that comparisons could be made in the same way, as has been seen with the use of the return above inflation, after fees and taxes.

*“But I'd really prefer to be provided with the same info across the board so I can compare them at a glance.”
(Female, 25-34, Medium)*

“Frankly speaking I am not quite sure on that. And it seems a bit complex to me.” (Male, 34-44, High)

Recommendation: Use measures of return suited to the type of asset class but always use the same measure when comparing funds/products of the same asset class.

Superannuation estimator



Superannuation estimator hits the spot!

The appeal of a superannuation estimator (based on a simplified version of ASIC's MoneySmart Superannuation Calculator that provides a simple estimate of a user's superannuation balance at retirement based on dashboard data) was gauged among participants. The superannuation estimator received an overwhelmingly positive response by most participants, clearly drawing the interest of those who had struggled with the Dashboard information prior to its introduction.

Participants stated that the ability to use individual personal details tended to make the information appear more tangible, understandable and believable.

"Should definitely be included. As everyone is at different stages of life (age, income and superannuation balance), it gives a quick estimate of where their superannuation will end up - which is all that really matters regarding superannuation. Graphs are great for seeing current/historical data quickly - but an Estimator that gives a quick estimate of the total at retirement is even more important for the average Aussie." (Male, 25-34, Medium)

"Love it!!! This is something that I can understand and see it in real life terms and a \$ amount without having to try and decipher graphs, definitions, and subtracting fees etc. I know that it is just an estimate but it is a good ball park figure to see what can happen with my money into the future." (Female, 35-44, High)

"Yes, this is something that I feel would be most useful. It is a quick 'one stop shop'." (Male, 55-65, Low)

Recommendation: Include the superannuation estimator in the Dashboard to engage people.



Link to MoneySmart is of interest

The provision of a link to the MoneySmart website with the superannuation estimator was highly valued by participants, given the perceived independence of the MoneySmart brand in the context of superannuation funds and choices.

A number of participants indicated spontaneously that they would follow the link and use the information.

“I also like the links at various points such as moneysmart.gov.au.” (Male, 45-54, Medium)

“If I needed more information to make my decision I would go to the MoneySmart website.” (Male, 55-65, Medium)

“Like the Super Estimator....it gives you the moneysmart link for more detailed estimate of your super at current retirement age.” (Male, 35-44, Med)

Recommendation: Include the link to the MoneySmart website in the Dashboard.

Go to ASIC's Superannuation Calculator at moneysmart.gov.au for a more detailed estimate.

Who's estimate is it?

Some participants questioned how the estimate was calculated in the superannuation estimator and the reliability of the information.

One participant noted that the superannuation estimator is a “*Moneysmart estimate*”, which in his view carried more weight and credibility.

“I think companies are playing with fire by putting estimators on there. I wonder how much room there is to sue if returns aren't as expected? I don't believe all those people who lost money in the GFC at such a crucial time in their working lives would have been happy to see this info after they'd lost a good chunk of their superannuation.” (Female, 34-44, High)

“I would just worry whether it would be accurate and would need to be given assurance. You can't believe everything you see or hear so it would need to have a progressive insight into how the Estimator would work effectively.” (Male, 25-34, Medium)



Superannuation estimator needs to incorporate all of the product/fund variables

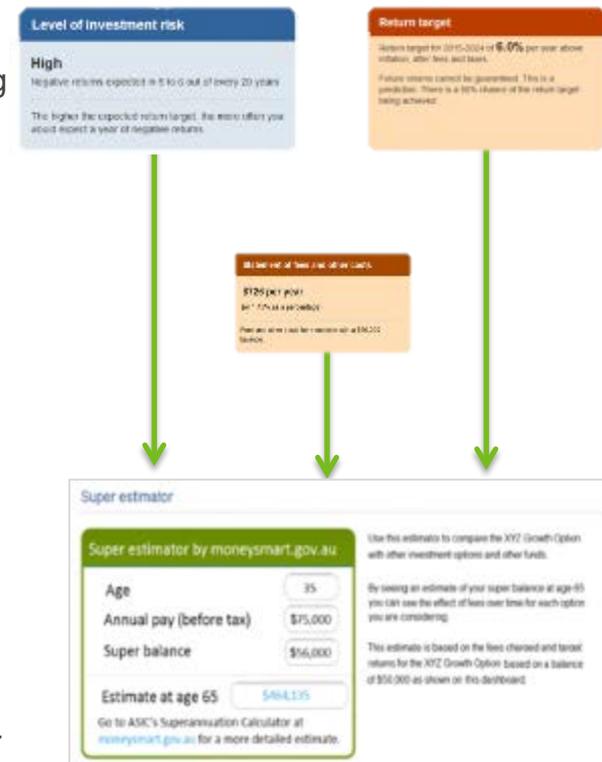
Those claiming to pay less attention to financial matters were more likely to request and to gravitate towards, more personally tailored information when it was provided. These participants found personalised information more interesting and easier to understand and indicated that they would focus on this information.

For this reason it is important that the superannuation estimator takes into account all the information contained in the Dashboard, i.e. that the return target, fees and level of risk for that product or fund are factored into the estimate.

This was seen to ensure that the superannuation estimator would provide participants with all the information they need to be able to make an informed comparison between superannuation products or funds.

“It would obviously take into account the fees and returns for the relevant fund. So the end result is a single dollar value.” (Male, 45-54, Medium)

Recommendation: Include a superannuation estimator that incorporates elements of the product/fund so that it can be used as a stand alone indicator, for those who are unlikely to pay attention to the other Dashboard elements.



Estimator prompts those who pay less attention to financial matters to become more engaged

Among these participants, the superannuation estimator tended to encourage thoughts and interest in how much the individual will need for retirement.

In turn, this encouraged these participants to think about making additional contributions to their superannuation, as they were confronted with information they previously may not have wanted or thought about. They were also able to simulate how changes could make a larger difference to their superannuation balance at age 65, through the easy use of the superannuation estimator.

Some participants indicated they would be keen to explore extra detail through online tools and they would be keen to see links to further information and tools. Efforts to accommodate this, however, should avoid adding details to the Dashboard to the extent that it becomes further cluttered.

*“Would also be good to get an estimate of what a ‘comfortable’ lifestyle would need monthly/annually in the future. And how much superannuation is needed at retirement e.g. if retiring at age 65.”
(Female, 25-34, Low)*

“This can give you the push to put extra into your superannuation each month.” (Female, 25-34, High)

Recommendation: Provide information to help investors calculate retirement needs on the MoneySmart website via link.



Ideally facilitate the ability to estimate and therefore make adjustments

When trying to determine whether participants would have enough superannuation by retirement age (65 years), some thought in terms of a lump sum amount. Others thought in terms of annual, monthly or weekly income. Some participants suggested the concept of providing estimates for different types of lifestyle such as poor, medium and affluent.

“Be good to get an estimate of what a “comfortable” lifestyle would need monthly/annually in the future. And how much superannuation is needed at retirement e.g. if retiring at age 65.” (Female, 25-34, Low)

“I’d like to see some kind of scale to indicate the kind of lifestyle one might expect if one drew a pension from this value e.g. \$345 per week or \$150 per week. It could be descriptive such as poor, medium, affluent etc.” (Male, 45-54, Medium)

*“I have heard a person needs between \$35k and \$50k per year to survive.”
(Female, 55-65, Medium)*

“Something around 500-600k would be close to what I could work with.” (Male, 25-34, High)

Recommendation: On the MoneySmart website, provide the ability to tailor estimates of retirement needs in different ways e.g. weekly, monthly and annual income; various levels of lifestyle.



Facility to view the impact of additional contributions

The ability to view the difference that additional contributions would make was also requested by some participants.

*“Provide a link by which you can calculated estimated growth over the term of the superannuation hence you could work out how much you could expect your superannuation to be worth if you were to make extra contributions. You also get to view the projected value of your superannuation of those years.”
(Female, 45-54, Medium)*

“Since the government is trying to encourage everyone to save for their retirement, maybe add a voluntary contribution field. Members could then see the effect of a small additional monthly contribution to their retirement savings.” (Male, 25-34, Me

Recommendation: On the MoneySmart web contributions impact final retirement income.



But does the Estimate account for inflation?



There was some discussion by participants about whether the estimate allows for inflation. If not, some suggested that users need to be made aware of the potential impact of inflation as there were concerns that the estimate would not provide a realistic indicator of the future value.

“Does it include inflation? How realistic is that figure compared to what will be needed in 40 years time when this person retires? \$464,000 in 40 years isn't going to be much. I think the equation (if it doesn't already) should include inflation growth of the wage. Is that in today's current money.” (Male, 18-24, High)

“What would make it even more useful is an absolute figure plus a figure adjusted for anticipated inflation to allow a proper consideration of the sufficiency of the result.” (Female, 45-54, High)

Recommendation: Provide figures adjusted for inflation via link to the MoneySmart website to avoid cluttering the Dashboard.

Fees and other costs



Fees and other costs are all important and need an easy point of comparison

Fees and other costs were a key area of interest for some research participants.

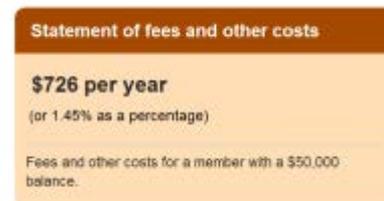
While many participants found the fees and other costs easy to locate in the Dashboard design, some found it difficult to determine if the fees were fair and reasonable due to the example using a fund balance of \$50,000. As a result, many participants spontaneously requested an industry average for fees and other costs. It was welcomed by many participants when subsequently included.

Most participants believed that the inclusion of an industry average of fees and other costs gave a sense of transparency and contributed to a sense of trust.

“It makes me feel more confident about choosing this fund knowing that they have been better and that they are upfront with their costs and fees.” (Male, 18-24, High)

“Yes I would want to see this - I want to see what I would be paying and compare to the industry average. It might sway me to look for another company.” (Female, 25-34, Medium)

Recommendation: Show statement of fees and other costs with the addition of the industry average.



Showing both % and \$ amount is easier

Regarding fees, some participants preferred seeing a percentage, some a dollar value and some preferred seeing both.

There were some concerns about fees and other costs being potentially misleading, with spontaneous requests from some participants for a detailed break down rather than a total figure. Questions such as ‘do they include x no. of changes to investment mix?’ were also raised by a few participants.

When only a percentage for the fee calculation was shown, there were some concerns and questions about the fee not being fixed and therefore being disadvantageous to those with lower fund balances. These participants were more comfortable with the information when both the dollar and percentages amounts were shown. Showing the dollar amount was seen to be more transparent among participants.

“You see the initial figure of \$726 per year as the fees in the large bold font, but then it notes that those fees are applicable to a member with a 50k balance below that.” (Male, 25-34, High)

“Without it I would feel as though the superannuation fund was trying to hide how much they are charging us.” (Female, 25-34, High)



Recommendation: Show fees and other costs as a dollar value and percentage and add the industry average.

Risk



Reference to risk profile is expected

Although not an easy concept to fully understand, it was found that many participants in the research had some understanding of the broad concept of risk. Specifically, most participants understood that higher returns require a higher level of risk, higher risk was more acceptable over a longer time frame, and funds differ in their risk profile/level.

Research participants appeared to be relatively familiar with the concept of having to choose a level of risk and for this reason there was an expectation that this would be included within the Dashboard.

“It certainly seems to show good returns for high risk, but I have never taken the high-risk option, and am not likely to.” (Female, 55-65, High)

“Might be a good idea, is if it also mentioned the different stocks or places where the superannuation is invested – this may be different for each individual.” (Male, 35-44, Medium)

“From fee's to risks, it's great to have all this information right on the one page.” (Female, 35-44, High)

Level of investment risk

High

Negative returns expected in 5 to 6 out of every 20 years

.....
The higher the expected return target, the more often you would expect a year of negative returns.

Likelihood of a negative return is an easy point of comparison

The expression of risk as ‘the number of years in 20 that a negative return is expected’ was regarded by many - particularly those who claimed to pay more attention to financial matters - as a measure that could be easily compared between funds or products.

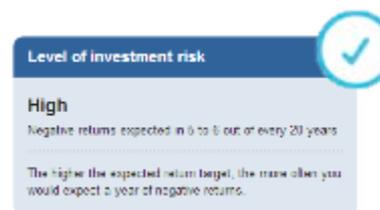
By contrast, in the MySuper Dashboard research in 2013, a number of options were evaluated, which resulted in a higher level of confusion by participants.

“I like the tempering of expectations about getting a negative return.”
(Male, 34-44, High)

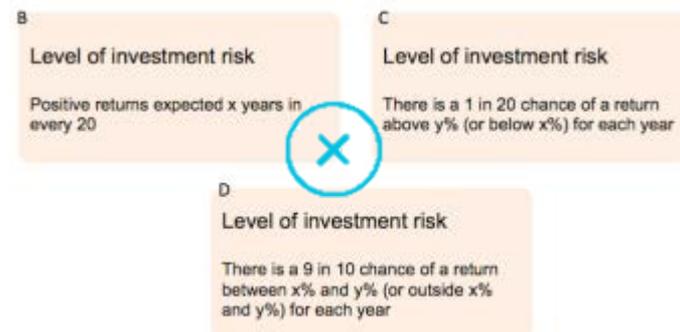
“I really like this presentation, especially the way it discloses risk and the reality of regular negative returns.”
(Female, 45-54, High)

“It is good to know that there are some loses in your superannuation and that there is some risk involved.”
(Female, 25-34, Medium)

Recommendation: Use the expression of risk as ‘the number of years in 20 that a negative return is expected’.



Concepts used in MySuper Dashboard testing in 2013:



'Risk' is a more common term than 'volatility'

The term 'investment volatility' was tested as an alternative to 'investment risk'. This term was rejected by the vast majority of research participants. It was largely seen as less familiar in relation to superannuation, and tended to be perceived as alarming and/or inconclusive.

'Investment risk', on the other hand, was more easily understood and considered the more standard industry term by most research participants.

"I think investment risk sounds better, because that is the term most generally in the investment industry, and for me, volatility conjures up a very sharp up and down image." (Female, 25-34, Medium)

"'Risk' is much more easily understood and you'd have to be a complete wombat to not have a clue about what it means. 'Volatility' just seems a bit 'airy fairy' and technical speak for something that is supposed to be simple." (Female, 35-44, High)

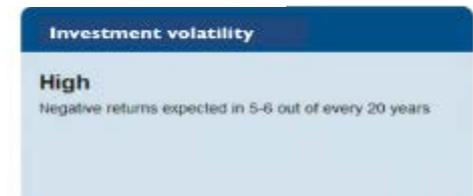
"When I hear or read "volatile" the first thing that comes to mind are fuels and explosives. Kinda scary." (Male, 34-44, High)

Recommendation: Use the term 'Level of investment risk'. Do not use the term 'volatility'.

Original version



Alternative name



Pie chart on investment mix was a welcome addition

Some participants requested information on how the funds were invested, in order to help them make their choice. As a result, there was strong support when it was included in a pie chart in the revised Dashboard.

The presentation of investment mix information in the pie chart was found to be visually engaging, with the content perceived to be easily comprehensible by the majority of research participants.

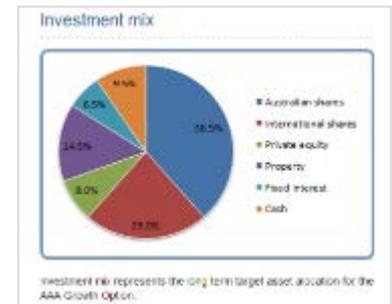
Some research participants believed that the investment mix information may act as a trigger for reviewing their investment choice.

“The pie graph is great though, it breaks down different factors very well from a visual point of view.”
(Female, 34-44, High)

“The pie chart shows exactly where your money is being invested which is important to know.”
(Female, 55-65, High)

“I like having the 'Investment mix' pie chart. Customers can visualise how their super is invested in the various investment types.” (Female, 35-44, Low)

Recommendation: Include a pie chart on investment mix.



Inflation probability



Introducing the probability of underperforming inflation creates confusion and clutter

The addition of a statement of the 'Probability of underperforming inflation over 40 years' was perceived to be highly complex and only understood by very few of the research participants. The introduction of a new scale (40 years) also added further complication.

Whilst participants were able to understand the idea that superannuation needs to keep up with inflation, an attempt to gauge the degree to which it will occur tended to be too difficult to think through for most. There was also a tendency for misinterpretation of the information and some perceived it to be a disclaimer to protect the fund.

"It's over 40 years not 20 years, so I start thinking what's the difference, it doesn't add up. It would make more sense if it was a percentage of the 20 years, lets compare apples with apples." (Male, 55-65, Medium)

"Sounds nearly Chinese to me. All it adds is confusion." (Male, 25-34, High)

"It will make it more confusing, if you don't know what it mean some would think during the 40years there's a chance of you losing your 35-40% of investment which will give people a shock." (Male, 35-44, Low)

Recommendation: Do not include a statement of the 'Probability of underperforming inflation'.



Inflation concept should be highlighted in a simpler manner

Research participants appeared to disengage with the information on inflation impact. The inclusion of this information caused many of those who claimed to pay less attention to financial matters to disregard this section completely. It may be possible to include this information as a link or rollover, so that those who are seeking the information can find it, but at the same time it will not clutter the Dashboard or cause confusion.

As those who pay less attention to financial matters were more likely to focus their attention on the superannuation estimator, it may be more beneficial to include a simple statement beside or within the it (rather than the risk box), that refers to the impact of inflation. This may assist in drawing attention to the issue without overcomplicating the content and causing them to disengage.

In the MySuper Dashboard testing in 2013 it was found that simple reference to 'inflation' is better understood than introducing alternative terms such as AWOTE and CPI.

"Something like 'markets fluctuate and superannuation returns will fluctuate with these market forces'." (Male, 55-65, High)

"More information is always better, different people will focus on different elements so offer more." (Female, 34-44, Low)

Recommendation: Show risk in the original format and add a simple statement to accompany the superannuation estimator explaining the impact of inflation simply.

Original



Level of investment risk

High
Negative returns expected in 5 to 6 out of every 20 years.

The higher the expected return target, the more often you would expect a year of negative returns.

Alternative version



Level of investment risk

High
Negative returns expected in 5 to 6 out of every 20 years.

Probability of underperforming inflation over 40 years:
35% to 45%

The higher the expected return target, the more often you would expect a year of negative returns.

Beyond the Dashboard



Product Disclosure Statement

Participants were asked to consider a hypothetical situation where they were looking at a Dashboard and to indicate what (if any) other information they would seek out, such as a PDS or anything else that could be included in a link, or whether they felt they had everything they needed to be able to compare options.

As reported in previous pages, many of the research participants indicated that they would use the link to the MoneySmart website to find out more about their retirement needs. However, in terms of making choices, the majority indicated that the Dashboard provided sufficient information to make comparisons, and did not feel the need to access further information. Some participants did feel the need to seek further information through a link on the Dashboard, and some believed they would only explore information such as the PDS when they had chosen a particular fund.

“If that was all relatively clear on the comparison site I don't know that I would necessarily go further.” (Female, 25-34, Medium)

“Once I can see all the funds I'm looking at, links to the PDS for each fund would be useful. And links to the website to sign up and transfer an existing fund.” (Male, 25-34, Medium)

“I wouldn't likely seek further information, the Dashboard has plenty of information on there for me to break down and try and understand, anymore info would tip me over the edge and I would lose interest.” (Male, 25-34, High)



Recommendation: Provide links to access further information such as the PDS for those who want this information. (This might also encourage those who may not feel the need for further information to check the PDS.)

Participants sought means to compare funds side by side in an easy way

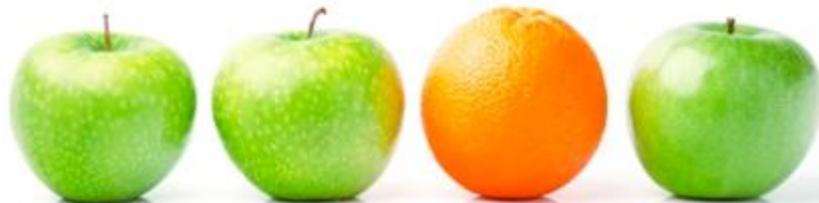
As was reported in the previous MySuper Dashboard research in 2013, many participants requested a way to easily compare superannuation funds or products side by side. While the use of a consistent Dashboard design would assist in people being able to do this, many research participants indicated that they would ideally like it to be provided by a trusted and reliable third party.

The familiarity with commercial entities offering this service for health insurance and utility companies, combined with participant's general confusion and difficulty in choosing a superannuation fund, appeared to drive this request.

However, in the absence of such a service, simple tools that the majority of participants were familiar with, such as the superannuation estimator, were considered to assist even those who tended to not pay much attention to financial matters in making use of the Dashboard for fund comparisons.

“Superannuation for me is too hard to compare, perhaps if there was some superannuation Fund Broker program or service available that could tell me which company is best then that may help.” (Male, 25-34, High)

“I would really appreciate a comparison website like you get for electricity, that would be most useful.” (Female, 25-34, Medium)



D: Appendix



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Dashboard designs tested



Preliminary



Revised

Alternative for Return

Original

Return target

Return target for 2015-2024 of **6.0%** per year above inflation, after fees and taxes. Future returns cannot be guaranteed. This is a prediction.

With industry average

Return

10 year average return of **8.6%** as at 30 June 2014.
Target return was 8.5% during this period.

Industry average* 10 year return is 7.55%.

Alternative name

Investment Objective

Investment objective for 2015-2024 of **6.0%** per year above inflation, after fees and taxes. Future returns cannot be guaranteed. This is a prediction.

With probability that target will be achieved

Return target

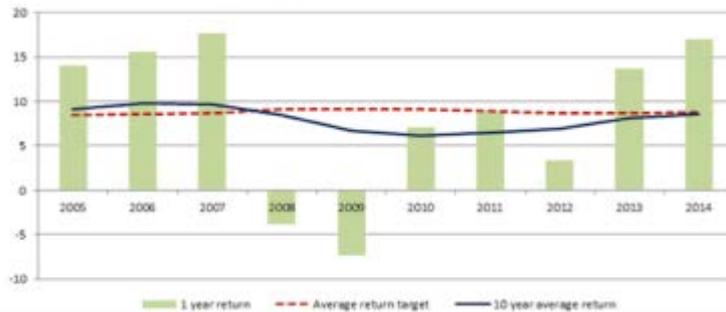
Return target for 2015-2024 of **6.0%** per year above inflation, after fees and taxes.

Future returns cannot be guaranteed. This is a prediction.

Example of past returns

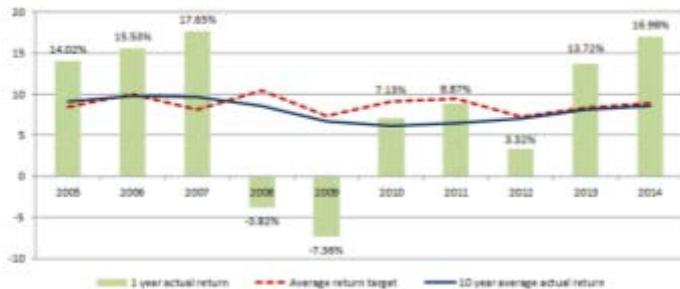
Showing 10 years with full data

Comparison between return target and return



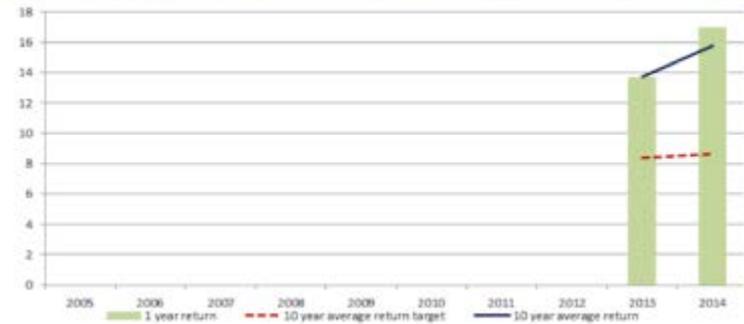
With value labels

Comparison between return target and actual return



Showing 2 years data

Comparison between return target and return

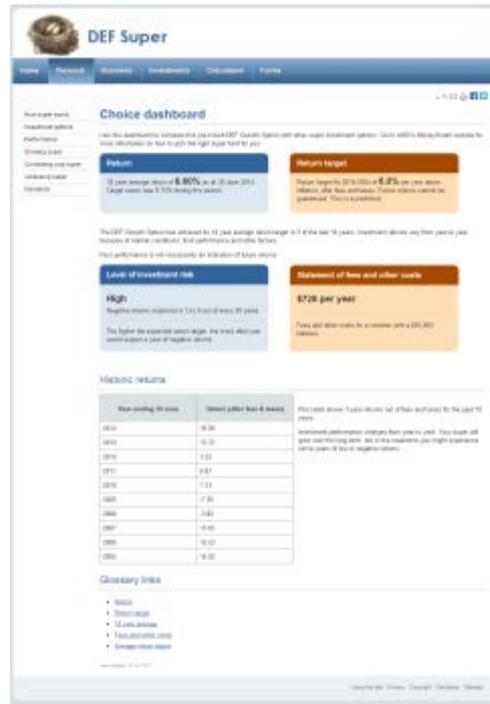


Alternative layouts

Table



Text only



Alternative chart and text



Fees and costs alternatives

The dollar amount:

Statement of fees and other costs

\$726 per year

Fees and other costs for a member with a \$50,000 balance.

As a percentage

Statement of fees and other costs

1.45% per year

Fees and other costs for a member with a \$50,000 balance, expressed as a percentage.

Dollar amount and percentage:

Statement of fees and other costs

\$726 per year
(or 1.45% as a percentage)

Fees and other costs for a member with a \$50,000 balance.

The dollar amount with industry average

Statement of fees and other costs

\$726 per year

Fees and other costs for a member with a \$50,000 balance.
Industry average* fees is \$589.

Risk alternatives

Original

Level of investment risk

High
Negative returns expected in 5 to 6 out of every 20 years

The higher the expected return target, the more often you would expect a year of negative returns.

Alternative name

Investment volatility

High
Negative returns expected in 5-6 out of every 20 years

Alternative version

Level of investment risk

High
Negative returns expected in 5 to 6 out of every 20 years

Probability of underperforming inflation over 40 years: 35% to 45%

The higher the expected return target, the more often you would expect a year of negative returns.



Revised dashboard version

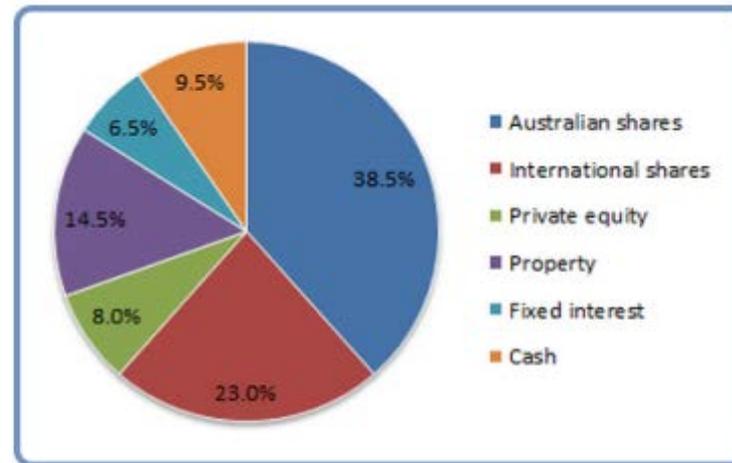
Level of investment risk

High
Negative returns expected in 5-6 out of every 20 years

Investment mix pie chart

Investment mix pie chart

Investment mix



Investment mix represents the long term target asset allocation for the AAA Growth Option.

Investment mix may vary - see the [AAA Growth Option PDS](#) for more details.

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