

May 2015

### **Individuals in the Australian Superannuation Industry**

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The superannuation industry in Australia currently has funds under management of \$2 trillion and member accounts of 29 million. Growth to \$3.2 - \$3.4 trillion is projected over the next five years and to \$6 trillion by 2035.

Transition from the benevolent employer structure of defined benefit superannuation into individual responsibility of accumulation superannuation is largely complete. 7% of superannuation funds are fully defined benefits. 56% are hybrid funds but the majority of this would be accumulation and 37% are fully accumulation.

Accumulation superannuation means that the responsibility for saving for retirement rest entirely on the individual. It is a compulsory system so that the majority of Australian workers must decide where they will hold their superannuation savings.

Evolution from employee driven choice of funds, choice of investments and now self managed superannuation has occurred.

Since the early 1980s all new entrants into the workforce have entered the superannuation system with this clear responsibility of choice.

Service providers and regulators cannot dictate decisions. Rather they must meet the developing requirements of Australian workers increasingly making their own decisions.

Bravura Solutions have identified 10 major trends which are clearly emerging from the principle of individuals increasingly understanding and accepting responsibility for superannuation saving decisions.

- Rapid industry growth
  - The need for retirement type products as baby boomers reaching retirement trigger a shift of focus from accumulation to decumulation.
  - Gen Y have a different set of expectations with respect to engagement, service delivery, spending and saving.
- Member centricity
  - A shift from traditional focus on serving employers to developing and retaining direct relationships with individuals.
- Continuous regulatory change and fund compliance
  - Providers must meet compliance requirements and invest in innovation, while reducing costs.

- Industry consolidation
  - Successful funds will be those that pursue economies of scale through consolidation, embrace cost competitive practices and win and retain clients.
- Business Process Outsourcing
  - Move towards a combination of outsourcing for fund administration and Information technology outsourcing for infrastructure and software management.
- Product innovation
  - Solutions needed which allow members efficient transition through the products, from simple to more complex and into retirement solutions.
- Scalable advice
  - Provide efficiently advice and information to clients from the very simple online advice right through to the more complex, holistic financial and retirement planning.
- Mobility
  - Mobility will play a critical role in servicing clients including development of mobile-based site and app in line with the banking industry.
- Continued SMSF growth
  - Exodus to SMSFs reflects a broader acceptance of responsibility and demand for choice and control over products and services.
  - Astute funds are servicing SMSF market with investment offerings.
- System modernisation
  - Modern next generation platforms which meet demands of product innovation and efficient administration.
  - Client centric and seamless integration with other servicing solutions and third party providers.
  - Real-time interactive capabilities delivered in a mobile environment.

The trend points to the provision of financial advice and services that is all-encompassing as individuals accept responsibility for managing their superannuation savings and seek advice on broader financial matters rather than simply the management of assets.